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FISCAL IMPACT REPORT

ORIGINAL DATE 3/8/07

SPONSOR Swisstack LAST UPDATED _____ HB HM 74

SHORT TITLE Construction Industries Division Task Force SB _____

ANALYST C. Sanchez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Memorial 74 asks the Governor to consider forming a task force to make recommendations to the Legislative Finance Committee and the Department of Finance and Administration by August 1, 2007, for ways of funding the Construction Industries Division (CID) of the Regulation and Licensing Department that correspond to growth and other relevant changes in the construction industry in New Mexico.

This memorial, itself, does not have an impact in any of the areas designated below, but it could produce recommendations that would result in legislation to restructure the way CID is funded and/or organized.

FISCAL IMPLICATIONS

According to the Regulation and Licensing Department, the current means for determining CID's budget do not consider the volume of services the division is required to perform. As construction activity in the State increases or decreases, CID's regulatory activity fluctuates proportionately but its budget does not. If budget appropriation were tied to demand for

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services, those services would be adequately supported in times of high demand, and the general fund could conceivably be able to retain funds for other use in times of low demand.

If CID were funded through an enterprise structure, people needing services would pay for them. The construction “market” would determine CID’s budget. An enterprise fund could result in a positive revenue stream to the general fund through increases in fines and fees that the industry will not currently support because CID’s budget is not related to the revenue CID produces.

SIGNIFICANT ISSUES

None. This memorial is a sound structure for bringing members of State government together to collaborate in a non-partisan environment on funding issues that are fundamental to the state’s economic health and betterment.

PERFORMANCE IMPLICATIONS

The memorial will provide an opportunity to examine some of the challenges facing CID’s operations, both current and projected. The division is working on a proposed business plan that could be submitted to the Task Force for consideration in their recommendations to the LFC and DFA. Paramount among CID’s performance challenges is the lack of inspectors and the infrastructure to support them: For example: In order to fill CID positions at a competitive salaries, CID must hold inspector positions vacant; if CID were to fill all vacancies competitively, more than a \$750,000 short-fall is projected for fiscal 2008.

ADMINISTRATIVE IMPLICATIONS

According to the Regulation and Licensing Department, because CID’s regulatory function is critical to the construction industry in New Mexico, and because the construction industry is a fundamental driver of economic development, CID might be more appropriately positioned in the Office of Economic Development or Governor’s Cabinet.

TECHNICAL ISSUES

None. The memorial brings all the stakeholders to the table and has built-in start and completion dates that should help the task force to develop recommendations in time for consideration in the 2009 budget cycle and the 2008 legislative session.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

CS/nt